From SAAPE Secretariat

South Asia Alliance for Poverty Eradication (SAAPE) was established in 2001 at a conference in Kathmandu attended by representatives of South Asian countries. Since its establishment, the SAAPE has grown from strength to strength and the objective of this newsletter is to share the issues and concerns of social movements of South Asia and to keep all the members and affiliates up to date with SAAPE’s activities.

This issue contains three case studies from South Asia, which analyse relevant social issues affecting the region. The contributions in this first edition of the newsletter include an analysis of the effect of globalisation on economy and labour in Pakistan, written by S. Akbar Zaida. Dr. Gopal Krishna Siwakoti has contributed an article on one of the most important social issues resulting from poverty in South Asia, that of human trafficking. Finally, Linus Jayatilake analyses the effectiveness of the PRSP in Sri Lanka in regards to poverty reduction. We are grateful for these contributions by the respective authors. We welcome your suggestions and feedback on this edition and any contributions of articles or photographs for future editions would be highly appreciated.

This is the first edition of the SAAPE newsletter and it will continue to be published quarterly. We hope you enjoy the publication.

Dr. Arjun Karki,
Coordinator
respect to the International Financial Institutions. Firstly, is the question of supreme power where these two organisations, along with the World Trade Organisation (WTO) and other less prominent entities, determine, manage and even run numerous economies and governments world wide, primarily in underdeveloped countries. Secondly, all economies are treated alike, the concept of universality: what is good for Brazil is equally good for Bangladesh. Economic globalisation with regard to IFIs is unequal in terms of power and uniform, in terms of its policies advice and programmes.

In essence, the structural adjustment programme is supposed to be market friendly, it is expected to promote private sector initiatives and interests, remove distortions in the economy by getting domestic and cross-border prices right, and to open up the economy to foreign goods and competition from abroad as the process of globalisation proceeds. In addition, privatisation should form an important component of the programme, and the role and involvement of the government in the economy and other sectors should be minimised. The government’s role should become one of an “enabler”, rather than an implementer, so says this philosophy.

Poverty and Its Creation

Towards the middle and late 1980s, there was ample evidence which confirmed the perception that poverty had been falling in Pakistan continuously, for almost two decades, often at times quite dramatically. However, towards the very beginning of the 1990s, some concerns emerged which suggested that perhaps that decline had slowed down or had even been reversed. Now there is compelling evidence which suggests that poverty has increased markedly over the 1990s.

The declining trends in poverty at the end of the 1980s, coincidentally, began a slowing down or reversal, at the start of a comprehensive IMF funded structural adjustment programme initiated in the fiscal year 1988-89, in December 1988. Every single indicator which has some poverty reducing impact, such as economic growth, manufacturing sector growth, employment, public expenditure, development expenditure, remittances, and subsidies, has worsened over the last decade. The impact on poverty should be equally clear. It is no surprise then, that poverty has increased in Pakistan over the last decade, and given current macroeconomic trends, is likely to persist and possibly increase over the next few years.

Has Pakistan Benefited from Increased Exposure to the Global Economy?

What this discussion on the impact of globalisation on Pakistan via the International Financial Institutions has shown is that as Pakistan’s exposure to these global financial organisations has grown since 1988, the economy has taken a nosedive. Not only have standard and conventional indicators worsened, but also there has been substantial worsening of the level and extent of poverty in Pakistan, which has more than doubled in only a decade. Moreover, the provision of large amounts of loans to the country has not resulted in an improvement of the economy, but has also doubled the debt burden in a decade. While Pakistan’s managers are certainly responsible for a great deal of the misdoings regarding the economy, they must share this responsibility with a critical component and instrument of globalisation, the IFIs.

The trade aspect of globalisation is seen as an opportunity for many countries to benefit from the opening up of new markets in countries, which were earlier closed or restricted. Indeed, just as much as trade globalisation has advantages, it has a large number of disadvantages too which are going to be felt differentially by countries. Those countries which are not prepared and do not have the skills and technology or commodities to export to others such as Pakistan, may become mere recipients of products from the rest of the world, unable to provide much in exchange, as is increasingly visible. The consequences on these economies are likely to be deleterious, just as they are for those countries which cannot compete effectively and are forced to de-industrialise in front of strong competition in the form of cheap imports wiping out domestic industry; again, growing evidence from Pakistan seems to suggest that this process is underway. Similarly, there are numerous concerns about the environment and the impact these policies will have on local and indigenous cultures. Genetically modified foods and multinational firms and brands may wipe out eco-systems, local practices and cultures.

Households and farms now produce, not for the local or national markets, but increasingly, for a sophisticated quality conscious global market. Standards have
Globalisation in Pakistan: The Impact on the Economy and on Labour

By S Akbar Zaidi

Unlike many countries, particularly those of East Asia, which may be amongst the largest beneficiaries of globalisation (and also, perhaps at times, one of its biggest victims) on account of trade and linkages with financial and global forces and capital, Pakistan’s exposure to the global economy has been largely with respect to the International Financial Institutions (IFIs).

While many countries have staked their claim to be part of an emerging economic sector, Pakistan must rank amongst those countries which are subservient to it. With international debt accumulated to around $35 billion, and with the IMF and World Bank watching and ordering our each and every economic and political move, the term “independence” seems to have lost much of its significance in modern Pakistan. Adherence to structural adjustment packages simply to keep the economy afloat has meant that economic policy is made for us rather than by us. Whether it is privatisation, the exchange rate of the rupee, power and utility tariffs, or the subsidy on wheat, everything is decided by advisors and international bureaucrats who refuse to acknowledge the impact of these deleterious policies.

One of the criticisms that has been directed against the IMF and the World Bank sponsored structural adjustment programmes, is that these programmes are usually too uniform in nature and are implemented universally and globally, across countries. Without taking due cognisance of particular histories, institutions, structures, these programmes lack any semblance of contextually. A very general economic restructuring programme designed for any or all countries in need of restructuring has, at best, a few minor specificities which are spelt out in the details of the programme for each country.

Hence, there are two aspects of globalisation with
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Households and farms now produce, not for the local or national markets, but increasingly, for a sophisticated quality conscious global market. Standards have
to be approved and orders placed from abroad, before numerous industries and units begin their operation. While it has the potential to provide new avenues for employment, the global market also decides when we are to close-down our shops. Moreover, lowering trade barriers in order to get prices right may have benefited the few who still have some purchasing power left in their pockets, but it has hurt local industry, which is no longer able to compete against cheap and sophisticated imports. In countries such as Pakistan, the dual edged sword of globalisation seems to be working only in one direction.

The quality of statistics regarding important indicators, including those related to labour is particularly poor in Pakistan. Most economic indicators like inflation, the population growth rate, etc. are contested. The Government of Pakistan quotes a figure for the unemployment of labour at around 6 percent. There are very few analysts in Pakistan who accept this figure and anecdotal and visual evidence points to a figure at least twice this. Nevertheless, the interesting thing is that government statistics themselves reveal that the official unemployment rate has doubled in a matter of less than a decade.

Two consequences related to globalisation, privatisation and a slowdown in the industrial sector and in manufacturing have had direct effects on labour. The labour force has not expanded with the increase in population, but with privatisation, former public sector firms that used to provide employment, after privatisation has, under the pretext of “efficiency” had to make workers redundant. This has resulted in formal sector employment slowing down (or more likely, reversing), and had resulted in the growth of the informal sector. Moreover, traditionally, the public sector was the main force and home for unionised labour; with privatisation and the shrinking of the state sector, perhaps the biggest casualty has been organised and unionised labour in Pakistan.

The main form of globalisation in Pakistan has come through IMF and World Bank structural adjustment policies, which have had clearly deleterious impact on the economy. Growth rates have fallen, poverty has increased, unemployment has grown and opportunities for labour have diminished. There seems to be little positive impact on the people in Pakistan more generally, and on labour, more specifically.

Poverty Portfolio and Transborder Human Trafficking in South Asia

By Dr. Gopal Krishna Siwakoti

Understanding and Rationale

Human trafficking is increasingly recognised as a complex process, involving a series of episodes for the victim. These episodes might start with a need or desire to migrate, followed by an encounter of coercion and deception leading to highly harmful and exploitative working situations. The trafficked person after some time might prefer to remain away from their original community; despite the exploitation and harm they have suffered. Upon returning home many victims of trafficking experience further stigmatisation, lack of control over their lives or no opportunities for economic survival. Such experiences may cause trafficked victims to choose to remain in a highly coercive and exploitative situation, as the alternative of returning home is perhaps worse. There is a continuing debate among stakeholders and activists regarding the extent to which trafficked persons must retain the right to choose to remain in exploitative conditions, even if they are continuing to be harmed.

The most commonly identified factor pushing people into the trafficking process is poverty. The necessity to meet basic needs such as food, shelter and livelihood is the most commonly identified motivation for people to migrate or to encourage a family member to leave. Those most vulnerable to trafficking generally come from the poorest and marginalized segments of communities. However, a simplistic view of poverty based on low-income levels or livelihood options does not assist in understanding why it is that women and children appear to be the most vulnerable to negative outcomes from migration, such as trafficking.

Feminisation of Poverty

In South Asia, the feminisation of poverty is accompanied by the feminisation of survival strategies. Women are also disproportionately excluded from development opportunities through deeply rooted discrimination and low status. This results in limited access to education with exceptionally low adult female literacy rates, little access to health care and almost no recognition of the contribution they make to family incomes and livelihood. Women compared to men have a higher incidence of poverty, especially among female-headed households. Women’s poverty is more severe than men’s poverty in the absence of access to resources and very low rates of human capital among women (education, health etc.). Overtime, the incidence of poverty among women is increasing compared to men, based on much fewer employment opportunities for women and inability to migrate to fill emerging job sectors.
Women’s Contribution to Economy

In the absence of adequate efforts to recognize and increase women’s contribution to economic growth, including, in varying degrees, policies and programs to increase women’s access to economic resources, paid employment, training and promotion, as well as laws guaranteeing healthy and safe working conditions, women are economically challenged. Women are simultaneously engaged in reproduction, household work and income generation. The work burden of women is extremely high. However, women are still primarily engaged in the low-productivity, low wage, and high underemployment agricultural sector. In hard times, women are more likely than men to exploit every possibility for work or income, including precarious activities and poorly paid work at home or in the unstructured sector, and including that which requires a change of residence or migration to the city or to a foreign country (illegal in most circumstances for unskilled labour). Women are more vulnerable to the negative social effects of economic restructuring and recession as they are generally unskilled. Programs and services developed by most South Asian governments to address unemployment are less accessible to women and opportunities to investments in women’s skill development to increase overall family status are rarely taken up.

Key Economic Characteristics

Third parties benefit the most economically from the trafficking industry since the victims pass through the hands of a chain reaching from the point of recruitment to the point of use or consumption of their labour. All are direct perpetrators of the crime of human trafficking. Less attention has been paid to those exploiting trafficking labour (factory owners, heads of households using domestic workers), and especially consumers such as clients in brothels who do not question the conditions under which Child Sex Work is carried out.

While a demand for male labour exists in the sectors associated with trafficked workers, control can be exerted more effectively over those most powerless in society – women and children. The face of human trafficking in the region is primarily that of women and girls and increasingly boys. However, this does not mean that men are never trafficked. Studies have tended to assume that men “migrate” while women and children are “trafficked”.

Catapult Condition

An understanding of the social elements of poverty, including lack of human and social capital, gender discrimination and the need for special protection for certain members of a community, also helps identify the most vulnerable. Governance issues also play a role in allocating resources and services in a community and those living in poverty tend to have limited access to these provisions – perpetuating their poverty and vulnerability to trafficking. Competition between countries in South Asia has further driven the cost of labour down encouraging some employers to use illegal practices such as bonded labour to access cheaper labour sources. Conflicts and disasters force communities to move, often en masse to live in areas where they can meet their basic needs. When individuals within that community have no skills or education, and are exposed to health risks, their capacity to secure sustainable livelihoods is limited, and their risk to trafficking heightened.

Human trafficking involves movement of people and is part of a migration experience. Migration policies often exclude many unskilled people, particularly women, from legal migration and they are therefore forced to seek alternative livelihood options through illegal means. Human smugglers offer forged documents or transportation to other countries where they promise to link migrants with job opportunities. These are often the same smugglers who traffic labour (i.e. coerce migrants into certain types of work, create debt bondage conditions or refuse migrants freedom to return home). Those working in illegal situations are more susceptible to coercion by traffickers. It is anticipated that migration policies will continue to discourage migration of unskilled labour, or that labour movements will be confined to within South Asia and certain South East Asian countries and that this situation will continue. These countries have poor records of protecting the rights of these irregular and illegal migrants or trafficked victims, which perpetuate conditions that offer profits to opportunistic traffickers.

Conclusion

Poverty is a great force that drives an individual to think the unthinkable and do the undoable. There are many cases of families of young girls who have been trafficked to brothels openly acknowledging that their daughters are living under difficult and harmful circumstances, but see no other option for their survival. Poor households also often fall into debt and may be compelled to hand over a child into debt-bondage, a practice still prevalent in many South Asian societies. Natural disasters and other shocks to insecure livelihoods can also force families into handing over children or to migrate themselves.

It is necessary to increase women’s productivity in home-based, informal and agricultural work while expanding their opportunities of employment and their level of income. The transformation of women’s economic activities requires profound reforms, for example: policies giving women access to land and assets, credit and technology; measures favouring independent work by women; and training programs which make women competitive on the job market. A more gender sensitive approach is required in the formulation of economic and social development policies and programs. At the same time it is vital to recognize that many of these poverty reduction programs for women will involve greater mobility and migration of women. Even as poverty is reduced, exposure to the risk of trafficking will increase for these women, unless there are accompanying programs to provide safe and secure transportation, access to food and shelter and services such as help lines, protection from law enforcers etc. ♦
The PRSP in Sri Lanka: The Dead End and No Return for Sri Lanka Through the PRSP

By Linus Jayatilake

Sri Lanka was the first country in South Asia to have Neo-liberal policy introduced, in 1977. But during the 1990s the average GDP growth rate has been at 5.1% while per capita GDP growth at 3.9%. So, it is a clear case of economic stagnation both at growth levels and the redistribution of incomes. It is more evident from the WB-World Development Indication 2001, that the average GDP growth rate in Sri Lanka between 1985-97 has been 4.42% and between 1970-99 at 4.54%. The Poverty Reduction Strategy Paper (PRSP of June 2002) had to admit that there is a serious deterioration in poverty which is estimated at 40% of the total population inclusive of 27% of chronic poverty. But these statistics supplied by the Central Bank of Sri Lanka do not give us an accurate picture of the situation of poverty.

The Work-Force

According to the Central Bank of Sri Lanka Annual Report 2001, the total work-force is 6.7 million. It has been estimated that the 'underemployment' rate is as high as 20% of the total work-force and around 673,000 people are classified as “unpaid family workers”. Among the employed are apparently 1.2 million employees in the public sector. It is also estimated that there would be between 400,000 and 500,000 new entrants to the work force in the next few years. The tea plantation workers receive only Rs.147/= (US$1.50) as their daily wage which was concluded in a recent collective agreement in the last quarter of 2002. When all the other salary scales have risen up, the plantation workers are under the accepted world poverty line of US$2 per day.

The number of small-scale farmers is around 1.8 million. Even if they cultivate the 2 harvesting seasons, their monthly income will not exceed Rs.2000/= per month. These two powerful sectors of producers are below the poverty line. Therefore, the 6.7 million strong work force includes all these underemployed farmers, fisherman, and the (tea, coconut and rubber) plantation workers. The statistics of poverty in the PRSP of 40% are inaccurate. It should expand beyond 55% of the total population of Sri Lanka.

Chronic Indebtedness

The total debt of Sri Lanka up to 31st December 2001 was at Rs.1.451 billion of which the internal debt is at Rs.816 billion and the external debt is at Rs.635 billion. In 2001, the national income (GNP) fell by 1.3%. In real terms, this amounted to a decline in per capita national income from US$823 by nearly 7%. For every man, woman and child national income fell by US$61.

In simple terms, it is said that the public debt is larger that the country’s GDP. The revenues needed to service this huge debt each year exceeds or outgrows the total revenue of the government. This has led to unforeseen budget deficits each year. This year’s budget deficit is 8.5% of the GDP. For simple understanding, the total public debt translates to Rs.77,500 (US$800) for every man, woman and child in Sri Lanka. Additional borrowing needed to meet this year’s deficit, will add approximately Rs.5, 700 (US$58) to this burden.

Rare Admission by WB and IMF

In all the documents of the WB and IMF, they have never admitted in the past to the incidence of “absolute” poverty in Sri Lanka, which they have been forced to admit at this critical juncture of chronic indebtedness.

The PRSP also has accepted that there was no real growth by executing the dictates of the WB and IMF. The “little growth” they were able to achieve never “trickled down” to the poor. The whole trickle down policy has crashed and collapsed. So what is the next way-out for them? That problem will never be addressed seriously by the Fund and Bank.

Failure of Bretton Woods Institution

The WB and IMF policies have completely dislocated the poor countries of the third world. They have made a miserable mess of Russia and East European Countries in their transition from state controlled, bureaucratic economy to a free market economy. Their policy dictates of Structured Adjustment Policy and eventually stabilisation, liberalisation and privatisation have made a miserable mess in the poor countries of the third world, which has led these nations to a dead end without any hope of return.

The PRSP in Sri Lanka has no new solutions to eradicate poverty in the country. They are repeating the same old slogans, outdated recipes to national disasters. They are trying to open up or liberalise every aspect of the economy. After 20 years of privatisation, they have touched the nerve-centre of the economy: the financial, the capital and the labour markets. The Government of Sri Lanka (GOSL) is under heavy pressure from the IMF to
sell the People’s Bank and the Sri Lanka Insurance Corporation. The Inland Revenue, Customs and Excise Departments, will be amalgamated into a Revenue Authority.

The Ceylon Electricity Board (CEB) has been de-bundled into 8 units (and eventually will be privatised). Once the whole financial base is dismantled, Sri Lanka will be fully submerged in the global market losing its national identity and sovereignty.

Two Targetted Attacks

It is only an ideological craziness and backwardness of the market fundamentalists to devalue and degrade the state and the public sector. The GOSL has already frozen the Non-Recurring Costs of Living Gratuity (NRCLG) and the pension fund is under threat. Recruitment to the Public Service has been abolished. The whole effort of the PRSP is to dismantle the Public service and to make it shrink. The other serious threat is to rural economy.

The WB has been recommending for years to dismantle agriculture and to link low productivity areas to the high-productivity areas and the export market. By freely offering land entitlements, avenues for a land market is generated in rural areas and the GOSL seems to think an exodus of rural migrants will abandon the rural sector. In a complete lost and a defeatist mood, the market fundamentalists are day-dreaming of a paradise on earth in the industrial belt where the rural population would migrate.

The Alternative

There is scope and possibility for Another World so that the poor and the exploited in the Global Capitalist system can live in peace, equality and dignity. Instead of liberalisation and privatisation, conservation and protection of this earth and its natural resources could be upheld and utilised for the welfare of the whole human species.

Country Focal Organisations and Contact Persons

The SAAPE has country focal organisations in each country of the region to co-ordinate and expedite the country-based processes. The country focal organisations are also responsible to provide necessary inputs and feedback to the Regional Secretariat. They are chosen from among the member organisations of the respective country. Individual country groups are comprised of NGOs, CBOs, People’s Organisations and Trade Unions active at different levels.

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